

SANTA CLARA VALLEY WATER DISTRICT

Audit Report

FLOOD CONTROL SUBVENTIONS PROGRAM

Guadalupe River Flood Control Project

February 18, 2009, through May 20, 2010

Lower Silver Creek Flood Control Project

March 24, 1993, through February 20, 2010

Pajaro River Flood Control Project

October 4, 1999



JOHN CHIANG
California State Controller

September 2012



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California State Controller

September 4, 2012

Mark Cowin, Director
Department of Water Resources
1416 Ninth Street, Room 1115-1
Sacramento, CA 95814

Dear Mr. Cowin:

The State Controller's Office audited claims submitted by the Santa Clara Valley Water District under the Flood Control Subventions Program.

The district claimed a total of \$4,781,781 on claims submitted for February 18, 2009, through May 20, 2010, for the Guadalupe River Flood Control Project (GRFCP); a total of \$10,632,803 on claims submitted for March 24, 1993, through February 20, 2010, for the Lower Silver Creek Flood Control Project (LSCFCP); and a total of \$9,054 submitted on October 4, 1999, for the Pajaro River Flood Control Project (PRFCP).

Our audit found that all costs claimed, totaling \$15,423,638 (\$4,781,781 for the GRFCP, \$10,632,803 for the LSCFCP, and \$9,054 for the PRFCP), are allowable.

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/bf

cc: Nahideh Madankar, Chief
Flood Control Subventions Program
Division of Flood Management
Department of Water Resources
Linda J. LeZotte, Chairman of the Board
Santa Clara Valley Water District
Joe Atmore, Financial Services Manager
Santa Clara Valley Water District
Beau Goldie, Chief Executive Officer
Santa Clara Valley Water District

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Audit Report

Summary

The State Controller's Office (SCO) audited the reimbursement claims of the Santa Clara Valley Water District under the Flood Control Subventions Program. The district claimed a total of \$4,781,781 for claims submitted for February 18, 2009, through May 20, 2010, for the Guadalupe River Flood Control Project (GRFCP); a total of \$10,632,803 on claims submitted for March 24, 1993, through February 20, 2010, for the Lower Silver Creek Flood Control Project (LSCFCP); and a total of \$9,054 submitted for October 4, 1999, for the Pajaro River Flood Control Project (PRFCP).

Our audit found that all costs claimed, totaling \$15,423,638 (\$4,781,781 for the GRFCP, \$10,632,803 for the LSCFCP, and \$9,054 for the PRFCP), are allowable.

Background

The State of California provides financial assistance to local agencies participating in the construction of federal flood control projects. Under the Flood Control Subventions Program (State Water Code, Division 6, Part 6, Chapters 1 through 4), the California Department of Water Resources pays a portion of the local agency's share of flood control project costs, including the costs of rights of way, relocation, and recreation and fish and wildlife enhancements.

State Water Code section 12832 authorizes the State Controller to audit the books and records of local agencies to determine whether the state funds received were expended for the purposes and under the conditions authorized.

Objective, Scope, and Methodology

Our audit objective was to determine whether the costs claimed as presented in the Summary of Project Costs (Schedule 1) are allowable and in compliance with the Department of Water Resources' *Guidelines for State Reimbursement on Flood Control Projects*.

We conducted this performance audit under the general authority of Government Code section 12410 and the specific authority under State Water Code section 12832. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The method we used to test transactions was haphazard sampling. The areas we examined included:

- Claim preparation process
- Land acquisition costs
- Contract costs
- Payments to the United States Army Corps of Engineers
- Other allocable costs
- Revenue recognition

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Costs claimed by the Santa Clara Valley Water District totaling \$15,423,638 were eligible for reimbursement under state regulations.

Views of Responsible Officials

We discussed the audit results with the district's representatives during an exit conference conducted on January 1, 2012. Joe Atmore, Financial Services Manager, and Candid Kwok-Smith, Grant Accountant, agreed with the audit results. Mr. Atmore declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of Santa Clara Valley Water District, the California Department of Water Resources, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

September 4, 2012

**Schedule 1—
Summary of Project Costs
December 18, 2008, through May 20, 2010**

Project/Claim Number	District Claim Number	Costs Claimed and Audited	State Share of Eligibility Percentage	State Share of Allowable Costs Claimed
Guadalupe River				
2009-01	144	\$ 3,033,810	50% & 70%	\$ 2,101,667
2009-02	145	200,000	70%	140,000
2009-03	146	191,184	70%	133,829
2009-04	147	109,935	70%	76,955
2009-05	148	22,753	70%	15,927
2009-06	149	90,197	70%	63,138
2009-07	150	95,636	70%	66,945
2009-08	151	1,083	70%	758
2009-09	152	14,300	70%	10,010
2009-10	153	1,351	70%	946
2009-11	154	26,867	70%	18,428
2010-01	155	191,876	70%	134,313
2010-02	156	68,800	70%	48,160
2010-03	147	(23,686)	70%	(16,580)
2010-04	158	324,000	70%	226,800
2010-05	159	249,550	70%	174,685
2010-06	160	7,800	70%	5,460
2010-07	161	176,325	70%	123,428
Subtotal		\$ 4,781,781		\$ 3,324,869
Lower Silver Creek Watershed				
2008-02	54	\$ 525,000	90%	\$ 472,500
2008-03	55	3,500,000	90%	3,150,000
2009-01	56	116,432	75%	87,324
2009-02	57	37,880	90%	34,092
2009-03	58	312,680	90%	281,412
2010-01	59	26,554	75%	19,915
2010-01	59	36,790	90%	33,111
2010-02	60	189,249	90%	170,324
2010-03	61	265,208	75%	198,906
2010-04	62	645,666	90%	581,099
2010-05	63	996,103	75%	747,077
2010-06	64	608,742	90%	547,868
2010-07	65	622,498	75%	466,873
2010-08	66	829,997	90%	746,997
2010-09	67	315,721	75%	236,791
2010-10	68	1,252,492	90%	1,127,243
2010-11	69	72,666	75%	54,500
2010-12	70	171,397	90%	154,257

Schedule 1 (continued)

<u>Project/Claim Number</u>	<u>District Claim Number</u>	<u>Costs Claimed and Audited</u>	<u>State Share of Eligibility Percentage</u>	<u>State Share of Allowable Costs Claimed</u>
Lower Silver Creek Watershed (continued)				
2010-13	71	22,643	75%	16,982
2010-14	72	42,449	90%	38,204
2010-15	73	4,927	75%	3,696
2010-16	74	37,709	90%	33,938
Subtotal		<u>\$ 10,632,803</u>		<u>\$ 9,203,109</u>
Pajaro River 1999-01	Final	<u>\$ 9,054</u>		<u>\$ 9,054</u>
Total		<u><u>\$ 15,423,638</u></u>		<u><u>\$ 12,537,032</u></u>

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